

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SANAA 002940

SIPDIS

SENSITIVE

PLEASE PASS TO TREASURY OASIA/MDM JFRANCO, STATE EB/IFD/OMA
LGALLAGHER

E.O. 12958: N/A

TAGS: [EFIN](#) [EAID](#) [YM](#)

SUBJECT: TRANSPARENCY OF MILITARY SPENDING IN YEMEN

REF: STATE 239929

1. (SBU) Summary. According to the standards defined by the 1997 Omnibus Consolidated Appropriations Act, the military budgets in Yemen is not transparent. The MOD is not accountable to any civilian auditing authority, and has only limited control over revenues and expenditures within branches of its own administration. Yemen faces significant security challenges which necessitate military spending. End Summary.

General Overview of Auditing Procedures

2. (SBU) The Ministry of Defense presents a budget annually to the Ministry of Finance for approval. MOF reviews the budget, as it does for all ministries, and allocates resources on a six-month basis. Differences arising between ministries are resolved by the President's office. Military expenditures are not subject to external audit. Spending in each section of the MOD is monitored ad hoc by deputy ministers, and monitoring and enforcement falls to military intelligence. Ultimately, responsibility for military spending resides with the MOD.

3. (SBU) There is no legislation or official policy regarding audits of military expenditure. The MOD is fiercely independent, and not subject to the same auditing rules as other ministries. In some instances, the weak central government is unable to monitor military spending within its ranks, especially in remote regions, due to limited capacity. In the case of the official budget, the absence of an auditing process is intentional. Criticism of MOD spending is considered crossing a political red line.

On-Budget and Off-Budget Revenues and Expenses

4. (SBU) Yemen's defense budget does not include all ROYG security forces, some of which are located outside the MOD. There are considerable off-budget military receipts, which are not audited.

5. (SBU) Comment: The ROYG faces considerable challenges in both development and security. There is cooperation between government ministries and donors to prioritize development objectives, with an understanding that security is fundamental to success in this effort. Substantial military investment is necessary to provide the stability needed for broader growth. Yemen is a partner in the Global War on Terrorism. End Comment
KRAJESKI